

ST. CLAIR TOWNSHIP, MICHIGAN
St. Clair County, Michigan

ANNUAL FINANCIAL REPORT
with Supplementary Information

FOR THE YEAR ENDED
JUNE 30, 2008



ST. CLAIR TOWNSHIP, MICHIGAN
St. Clair County, Michigan

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Township Board
St. Clair Township
St. Clair County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of St. Clair Township, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the Township as listed in the table of contents. These financial statements are the responsibility of St. Clair Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of St. Clair Township, Michigan, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 6, and budgetary comparisons on pages 29 and 32 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Clair Township's basic financial statements. The combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Certified Public Accountants

October 16, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS

St. Clair Township's 2008 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

Government-wide Financial Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, defined as the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

Governmental activities – most of the Township's basic services are included here, such as the fire, public works, and general administration. Property taxes, state-shared revenue, charges for services, provide most of the funding.

Business-type activities – the Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system is treated as business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds, not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

Governmental funds - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Proprietary funds - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

Fiduciary Funds - The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of assets and liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL OVERVIEW (Government-wide financial analysis)

The Township has combined total net assets of \$7,040,334. This is a decrease over 2007 of \$109,416. Government-type activities comprise \$4,063,074, and business-type activities make up \$2,977,260 of the total net assets. In a condensed format, the table below shows net assets as of the June 30, 2008 and 2007.

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
Assets				
Current assets	\$ 3,377,054	\$ 3,593,372	\$ 759,712	\$ 1,117,428
Restricted assets	-	-	-	81,789
Noncurrent assets	703,736	647,485	2,261,266	1,830,559
Total assets	<u>4,080,790</u>	<u>4,240,857</u>	<u>3,020,978</u>	<u>3,029,776</u>
Liabilities				
Current liabilities	17,716	63,091	43,718	57,792
Long-term liabilities	-	-	-	-
Total liabilities	<u>17,716</u>	<u>63,091</u>	<u>43,718</u>	<u>57,792</u>
Net Assets				
Invested in capital assets –				
Net of related debt	703,736	647,485	1,914,366	1,830,559
Restricted	789,441	943,350	-	81,789
Unrestricted	<u>2,569,897</u>	<u>2,586,931</u>	<u>1,062,894</u>	<u>1,059,636</u>
Total net assets	<u>\$ 4,063,074</u>	<u>\$ 4,177,766</u>	<u>\$ 2,977,260</u>	<u>\$ 2,971,984</u>

The Township governmental activities experienced a net change in assets of \$(114,692). The business-type activities experienced an increase in net assets of \$5,276.

The following table shows the changes in net assets for 2008 and 2007:

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
Revenue				
Program revenue:				
Charges for services	\$ 393,981	\$ 393,885	\$ 648,748	\$ 565,436
Operating grants and contributions	57,201	27,572	-	-
Capital grants and Contributions	-	-	-	-
General revenue:				
Property taxes	258,942	250,278	-	-
Unrestricted grants and contributions	460,701	454,225	-	-
Unrestricted investment earnings	<u>155,038</u>	<u>179,604</u>	<u>40,718</u>	<u>65,428</u>
Total Revenue	<u>1,325,863</u>	<u>1,305,564</u>	<u>689,466</u>	<u>630,864</u>
Program Expenses				
General government	461,318	285,790	-	-
Public safety	326,580	324,485	-	-
Public works	642,479	438,262	-	-
Recreation and cultural	10,178	14,975	-	-
Water and sewer	<u>-</u>	<u>-</u>	<u>684,190</u>	<u>750,801</u>
Total Program Expenses	<u>1,440,555</u>	<u>1,063,512</u>	<u>684,190</u>	<u>750,801</u>
Changes in net assets	<u><u>\$ (114,692)</u></u>	<u><u>\$ 242,052</u></u>	<u><u>\$ 5,276</u></u>	<u><u>\$ (119,937)</u></u>

Governmental Activities

Revenues for governmental activities totaled \$1,325,863 in 2008. This is an increase of \$20,299 from 2007. The largest revenues source of the Township is State Shared Revenue of \$460,701 followed by charges for service for refuse collection of \$393,981 and taxes of \$258,942.

Business-type Activities

The Township has two business-type activities, the water and sewer operations. Total revenues, including interest on investments, were \$689,466 and expenses were \$684,190 for a change in net assets of \$5,276. Effective April 2007, the Township increased the Sewer rates from \$2.65 per thousand to \$3.20 per thousand or approximately an increase of 21%.

The Township contracts with the City of St. Clair for water and sewer treatment service.

FINANCIAL ANALYSIS OF MAJOR TOWNSHIP FUNDS AND BUDGETS

Governmental Funds

The General fund ended 2008 with a fund balance of \$1,905,658, with \$260,842 reserved for specific purposes, which include \$82,487 for Park and Recreation, \$158,501 for Refuse Collection and \$19,854 for other prepaid expenses. This is a decrease of \$(27,092). The township's final budget anticipated a decrease of \$(52,467).

The Assessment, Inspections, Revolving Capital Improvement, and Road Funds ended 2008 with a fund balance of \$900,966, \$12,202, \$492,251 and \$44,000 respectively. During the year the Assessment, Inspections, Revolving Capital Improvement and Road fund had revenue over (under) expenditures of \$37,698, \$6,442, \$(230,931) and \$44,000, respectively.

During the year the Township Board monitors the budget, and if necessary, amends the budget to take into account unanticipated events that occur during the year. The following significant amendments were made during the year:

General Fund -

- Drain expenditures were amended from \$11,000 to \$257,488 for the Blue River Gardens subdivision drain work.
- Transfers into the general fund was amended from \$0 to 259,208 to record the transfer from the Public Improvement Fund to pay for the above drain work.
- Transfers to other fund was amended from \$26,000 to \$70,000 to establish the new Road Fund.

Other Funds –

- The Improvement Revolving Fund transfers out was amended by \$259,208 for the transfer to the General Fund.
- The Road Fund budget was approved for the transfer from the General Fund.

Significant differences between the Original/Final Budget and actually are as follows:

General Fund -

- Building and grounds was less than budget by \$134,421 mainly because of a lawsuit the Township had to pay and to a former employee.

Other Funds -

- Transfers in to the Inspection Fund of \$26,000 to help subsidize the operations. This was not anticipated or budgeted.

Business-type Activities

As indicated earlier, the Township only has two business-type activity, the water and sewer operations. Total revenues including interest or investment earning were \$689,466 and expenses were \$684,190 for an increase in net assets of \$5,276. Effective April 2007, the Township increased the Sewer rates from \$2.65 per thousand to \$3.20 per thousand or approximately an increase of 21%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township had \$2,672,994 invested in capital assets for its government and business-type activities (net of accumulated depreciation) as of June 30, 2008. The investment in capital assets includes land, land improvements, buildings, machinery and equipment, vehicles and water and sewer lines. During the year, the Township added \$581,331 of capital assets, \$70,854 in government-type activities and \$510,477 in the business-type activities.

Of the \$70,854 in the government-type activities, \$28,368 was for warning sirens received from Oakland County using its Homeland Security Grant funds; \$26,186 was for the construction of the bike path; and \$16,300 was for the paving of the parking lot at the Park. Of the \$510,477 in the business-type activities, \$422,881 was for completion of sewer system projects and \$87,596 was related to construction in progress for water system projects.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 305,322	\$ -	\$ 305,322
Land improvements	115,111	-	115,111
Building and improvements	244,392	-	244,392
Equipment	112,462	90,494	112,462
Water and sewer lines	-	3,056,278	3,056,278
Construction in progress	<u>88,198</u>	<u>87,597</u>	<u>175,795</u>
	865,485	3,234,369	4,009,360
Accumulated depreciation	<u>(161,749)</u>	<u>(1,265,111)</u>	<u>(1,426,860)</u>
	<u>\$ 703,736</u>	<u>\$ 1,969,258</u>	<u>\$ 2,672,994</u>

Additional information on the Township's capital assets can be found in Note 5.

Long-Term Debt

At June 30, 2008 the Township had no long-term debt.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

St. Clair Township had a decline in net assets this fiscal year because of two factors. The first being the loss of a legal battle with a former employee and the second being the completion of major drain improvement project, which was in the works for nine years. This was the first time in several years that the Township has not increased its net assets.

Construction on the Chrysler property continues as planned. Our agreement with the City of Marysville, an Urban Cooperation Agreement, allows the Township to collect 2 mills of property taxes. This will begin in 2012.

Although the Township does not currently take in a great deal of money on personal property tax, the potential change in personal property taxes could change our budget in future years. In order to stay fiscally responsible, as well as serve the needs of our community, the Board has a balanced budget for 2008-09.

The Township is still working on a new water contract with the City of St. Clair. The Township has finished a sewer project that has resealed some sewer lines. This resealing will expand the life on those lines by thirty years.

Because of the slow economy in Michigan, the Inspection Fund's revenues have declined again this year. The Township Board feels this will continue over the next couple of years.

CONTACTING THE TOWNSHIP

This financial report is designated to provide a general overview of the Township's finances to our residents and other interested parties in understanding the Township's financial condition. If you have any questions about this report, or need additional information, please contact the Township office at 810-329-9042.

BASIC FINANCIAL STATEMENTS

ST. CLAIR TOWNSHIP

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Primary Government		
	Governmental	Business Type	
	Activities	Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 1,817,923	\$ 647,708	\$ 2,465,631
Investments	996,456	305,189	1,301,645
Receivables	181,559	168,077	349,636
Due from other funds	14,362	(14,362)	-
Advance to other fund	346,900	(346,900)	-
Prepaid expenditures	19,854	-	19,854
Sewer capacity rights (net of amortization)	-	292,008	292,008
Capital assets (net of accumulated depreciation)			
Assets not being depreciated	393,520	87,597	481,117
Assets being depreciated	310,216	1,881,661	2,191,877
Total Assets	<u>4,080,790</u>	<u>3,020,978</u>	<u>7,101,768</u>
LIABILITIES:			
Payables and accrued liabilities	9,942	1,018	10,960
Due to other governmental units	7,774	42,700	50,474
Total Liabilities	<u>17,716</u>	<u>43,718</u>	<u>61,434</u>
NET ASSETS:			
Investment in capital assets, net of related liabilities	703,736	1,914,366	2,618,102
Restricted			
Parks and Recreation	82,487	-	82,487
Refuse Collection	158,501	-	158,501
Inspections	12,202	-	12,202
Capital Improvements	492,251	-	492,251
Road	44,000	-	44,000
Unrestricted	<u>2,569,897</u>	<u>1,062,894</u>	<u>3,632,791</u>
Total Net Assets	<u>\$ 4,063,074</u>	<u>\$ 2,977,260</u>	<u>\$ 7,040,334</u>

The accompanying notes are an integral part of these financial statements.

ST. CLAIR TOWNSHIP

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General Government	\$ 461,318	\$ 6,888	\$ -	\$ -
Public Safety	326,580	63,080	30,443	-
Public Works	642,479	324,013	-	-
Recreation and Culture	10,178	-	26,758	-
Total governmental activities	1,440,555	393,981	57,201	-
Business type activities				
Water Supply System	381,084	387,424	-	-
Wastewater	303,106	261,324	-	-
Total business type activities	684,190	648,748	-	-
Total Primary Government	\$ 2,124,745	\$ 1,042,729	\$ 57,201	\$ -

General revenues:

Property taxes

Grants and contribution not -
restricted to specific programs

Unrestricted investment income

Total general revenues

Change in net assets

Net assets at beginning of year

Net assets at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets

Primary Government		
Governmental Activities	Business Type Activities	Total
\$(454,430)	\$ -	\$(454,430)
(233,057)	-	(233,057)
(318,466)	-	(318,466)
16,580	-	16,580
<u>(989,373)</u>	<u>-</u>	<u>(989,373)</u>
-	6,340	6,340
-	(41,782)	(41,782)
<u>-</u>	<u>(35,442)</u>	<u>(35,442)</u>
<u>\$(989,373)</u>	<u>\$(35,442)</u>	<u>\$(1,024,815)</u>
258,942	-	258,942
460,701	-	460,701
155,038	40,718	195,756
<u>874,681</u>	<u>40,718</u>	<u>915,399</u>
(114,692)	5,276	(109,416)
<u>4,177,766</u>	<u>2,971,984</u>	<u>7,149,750</u>
<u>\$ 4,063,074</u>	<u>\$ 2,977,260</u>	<u>\$ 7,040,334</u>

ST. CLAIR TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Assessment	Inspections	Revolving Capital Improvement	Road	Total Governmental Funds
ASSETS						
Assets:						
Cash and cash equivalents	\$ 1,290,484	\$ 323,181	\$ 182	\$ 160,076	\$ 44,000	\$ 1,817,923
Investments	441,970	224,826		329,660	-	996,456
Receivable						
Interest	3,857	7,359	-	2,515	-	13,731
Special assessments	-	4,261	-	-	-	4,261
Due from other governmental units -						
State	142,464	-	-	-	-	142,464
Due from other funds	37,765	-	12,098	-	-	49,863
Advance to other fund	-	346,900	-	-	-	346,900
Prepayments and deposits	19,854	-	-	-	-	19,854
Total Assets	<u>\$ 1,936,394</u>	<u>\$ 906,527</u>	<u>\$ 12,280</u>	<u>\$ 492,251</u>	<u>\$ 44,000</u>	<u>\$ 3,391,452</u>
Liabilities:						
Accounts payable	\$ 9,864	\$ -	\$ 78	\$ -	\$ -	\$ 9,942
Due to other funds	13,098	1,300	-	-	-	14,398
Due to other governmental units	7,774	-	-	-	-	7,774
Deferred revenue	-	4,261	-	-	-	4,261
Total Liabilities	<u>30,736</u>	<u>5,561</u>	<u>78</u>	<u>-</u>	<u>-</u>	<u>36,375</u>
Fund Balances:						
Reserved -						
Advance to other fund	-	346,900	-	-	-	346,900
Prepaid expense	19,854	-	-	-	-	19,854
Parks and recreation	82,487	-	-	-	-	82,487
Refuse collection	158,501	-	-	-	-	158,501
Unreserved -						
Undesignated -						
General Fund	1,644,816	-	-	-	-	1,644,816
Special Revenue Funds	-	554,066	12,202	492,251	44,000	1,102,519
Total Equity	<u>1,905,658</u>	<u>900,966</u>	<u>12,202</u>	<u>492,251</u>	<u>44,000</u>	<u>3,355,077</u>
Total Liabilities and Fund Equity	<u>\$ 1,936,394</u>	<u>\$ 906,527</u>	<u>\$ 12,280</u>	<u>\$ 492,251</u>	<u>\$ 44,000</u>	<u>\$ 3,391,452</u>

The accompanying notes are an integral part of these financial statements.

ST. CLAIR TOWNSHIP

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Fund Balances - total governmental funds	\$ 3,355,077
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	865,485
Accumulated depreciation	(161,749)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Special Assessments	<u>4,261</u>
Net Assets of governmental activities	<u><u>\$ 4,063,074</u></u>

The accompanying notes are an integral part of these financial statements.

ST. CLAIR TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008

	General	Assessment	Inspections	Revolving Capital Improvement	Road	Total Governmental Funds
Revenues:						
Taxes	\$ 258,942	\$ -	\$ -	\$ -	\$ -	\$ 258,942
Licenses and permits	15,822	-	46,450	-	-	62,272
Intergovernmental -					-	
Federal/State	475,573	-	-	-	-	475,573
Local	26,758	-	-	-	-	26,758
Charges for services	14,245	-	-	-	-	14,245
Interest and rent	97,832	36,264	-	27,777	-	161,873
Assessment	323,615	1,434	-	-	-	325,049
Other	2,211	-	-	-	-	2,211
Total Revenues	<u>1,214,998</u>	<u>37,698</u>	<u>46,450</u>	<u>27,777</u>	<u>-</u>	<u>1,326,923</u>
Expenditures:						
Current -						
General Government	449,070	-	-	-	-	449,070
Public Safety	260,572	-	66,008	-	-	326,580
Public Works	642,479	-	-	-	-	642,479
Recreation and Cultural	78,677	-	-	-	-	78,677
Total Expenditures	<u>1,430,798</u>	<u>-</u>	<u>66,008</u>	<u>-</u>	<u>-</u>	<u>1,496,806</u>
Revenues over (under) expenditures	<u>(215,800)</u>	<u>37,698</u>	<u>(19,558)</u>	<u>27,777</u>	<u>-</u>	<u>(169,883)</u>
Other Financing Sources (Uses):						
Transfers in	259,208	-	26,000	500	44,000	329,708
Transfers out	<u>(70,500)</u>	<u>-</u>	<u>-</u>	<u>(259,208)</u>	<u>-</u>	<u>(329,708)</u>
Total Other Financing Sources (Uses)	<u>188,708</u>	<u>-</u>	<u>26,000</u>	<u>(258,708)</u>	<u>44,000</u>	<u>-</u>
Net Change in Fund Balances	(27,092)	37,698	6,442	(230,931)	44,000	(169,883)
Fund Balances at beginning of year	<u>1,932,750</u>	<u>863,268</u>	<u>5,760</u>	<u>723,182</u>	<u>-</u>	<u>3,524,960</u>
Fund Balances at end of year	<u>\$ 1,905,658</u>	<u>\$ 900,966</u>	<u>\$ 12,202</u>	<u>\$ 492,251</u>	<u>\$ 44,000</u>	<u>\$ 3,355,077</u>

The accompanying notes are an integral part of these financial statements.

ST. CLAIR TOWNSHIP

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2008**

Net change in fund balances - total governmental funds	\$(169,883)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	70,854
Depreciation expense	(14,603)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>(1,060)</u>
Change in Net Assets of governmental activities	<u><u>\$(114,692)</u></u>

The accompanying notes are an integral part of these financial statements.

ST. CLAIR TOWNSHIP

STATEMENT OF NET ASSETS PROPRIETARY FUNDS JUNE 30, 2008

	Water	Sewer	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 539,084	\$ 108,624	\$ 647,708
Investments	305,189	-	305,189
Accounts, interest and special assessment receivables	96,643	71,434	168,077
Due from other funds	-	1,324	1,324
Total Current Assets	<u>940,916</u>	<u>181,382</u>	<u>1,122,298</u>
Property, Plant and Equipment:			
Property, plant and equipment	734,441	2,499,928	3,234,369
Less - accumulated depreciation	(239,911)	(1,025,200)	(1,265,111)
Total Property, Plant and Equipment (net of accumulated depreciation)	<u>494,530</u>	<u>1,474,728</u>	<u>1,969,258</u>
Other Assets:			
Sewer capacity rights	-	518,000	518,000
Less: amortization	-	(225,992)	(225,992)
	<u>-</u>	<u>292,008</u>	<u>292,008</u>
Total Assets	<u>1,435,446</u>	<u>1,948,118</u>	<u>3,383,564</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	150	868	1,018
Due to other governmental units	33,192	9,508	42,700
Due to other funds	1,418	14,268	15,686
Advance from other fund (current portion)	-	32,218	32,218
	<u>34,760</u>	<u>56,862</u>	<u>91,622</u>
Long-Term Liabilities - (net of current portion):			
Advance from other fund	-	314,682	314,682
Total Liabilities	<u>34,760</u>	<u>371,544</u>	<u>406,304</u>
NET ASSETS:			
Investment in capital assets, net of related liabilities	494,530	1,419,836	1,914,366
Unrestricted			
Undesignated	<u>906,156</u>	<u>156,738</u>	<u>1,062,894</u>
Total Net Assets	<u>\$ 1,400,686</u>	<u>\$ 1,576,574</u>	<u>\$ 2,977,260</u>

The accompanying notes are an integral part of these financial statements.

ST. CLAIR TOWNSHIP

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2008

	Water	Sewer	Total
Operating Revenues:			
Charges for services	\$ 382,604	\$ 231,138	\$ 613,742
Other	4,270	30,186	34,456
Total Operating Revenues	<u>386,874</u>	<u>261,324</u>	<u>648,198</u>
Operating Expenses:			
Salaries and fringes	27,617	56,770	84,387
Supplies	339	471	810
Water purchases	300,624	-	300,624
Sewer service cost	-	116,349	116,349
Professional fees	5,810	9,298	15,108
Repairs and maintenance	23,975	32,402	56,377
Utilities	225	11,020	11,245
Gas and oil	1,987	3,921	5,908
Miscellaneous	3,526	186	3,712
Depreciation/Amortization	16,981	62,789	79,770
Total Operating Expenses	<u>381,084</u>	<u>293,206</u>	<u>674,290</u>
Operating Income (Loss)	<u>5,790</u>	<u>(31,882)</u>	<u>(26,092)</u>
Non-Operating Revenues (Expenses):			
Interest income	31,826	8,892	40,718
Tap-In fees	550	-	550
Interest expenses	-	(9,900)	(9,900)
Total Non-Operating Revenues (Expenses)	<u>32,376</u>	<u>(1,008)</u>	<u>31,368</u>
Net Income (Loss)	38,166	(32,890)	5,276
Net Assets at beginning of year	<u>1,362,520</u>	<u>1,609,464</u>	<u>2,971,984</u>
Net Assets end of year	<u>\$ 1,400,686</u>	<u>\$ 1,576,574</u>	<u>\$ 2,977,260</u>

The accompanying notes are an integral part of these financial statements.

ST. CLAIR TOWNSHIP

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

	Water	Sewer	Total
Cash Flows From Operating Activities:			
Cash receipts from customers	\$ 385,840	\$ 264,814	\$ 650,654
Cash payments to suppliers	(348,715)	(174,074)	(522,789)
Cash payments to employees	(27,617)	(56,770)	(84,387)
Net Cash Provided by Operating Activities	<u>9,508</u>	<u>33,970</u>	<u>43,478</u>
Cash Flows From Capital and Related Financing Activities:			
Tap-in fees	550	-	550
Payments received on special assessments	-	361,369	361,369
Interest paid on contacts payable	-	(9,900)	(9,900)
Net Cash Provided by Capital and Related Financing Activities	<u>550</u>	<u>351,469</u>	<u>352,019</u>
Cash Flows From Investing Activities:			
Purchase of investments	(13,398)	-	(13,398)
Purchase of fixed assets	-	(510,477)	(510,477)
Interest earned	31,826	8,892	40,718
Net Cash Provided (Used) by Investing Activities	<u>18,428</u>	<u>(501,585)</u>	<u>(483,157)</u>
Net Increase (Decrease) in Cash and Cash Equivalents for the year	28,486	(116,146)	(87,660)
Cash and Cash Equivalents at Beginning of Year	<u>510,598</u>	<u>224,770</u>	<u>735,368</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 539,084</u></u>	<u><u>\$ 108,624</u></u>	<u><u>\$ 647,708</u></u>
Reconciliation of Net Income (Loss) to:			
Net Cash Provided by Operating Activities:			
Operating income (loss) for the year	\$ 5,790	\$(31,882)	\$(26,092)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities -			
Depreciation	16,981	62,789	79,770
Change in assets and liabilities:			
Receivable	(1,034)	5,015	3,981
Due from other funds	201	(1,525)	(1,324)
Accounts payable	(13,848)	(226)	(14,074)
Due to other funds	1,418	(201)	1,217
Net Cash Provided By Operating Activities	<u><u>\$ 9,508</u></u>	<u><u>\$ 33,970</u></u>	<u><u>\$ 43,478</u></u>

The accompanying notes are an integral part of these financial statements.

ST. CLAIR TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Agency Funds
	<hr/>
ASSETS:	
Cash and cash equivalents	\$ 59,746
Due from other funds	1,000
	<hr/>
	<u><u>\$ 60,746</u></u>
 LIABILITIES:	
Due to other funds	\$ 22,103
Due to others	38,643
	<hr/>
	<u><u>\$ 60,746</u></u>

The accompanying notes are an integral part of these financial statements.

ST. CLAIR TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity –

St. Clair Township, Michigan, a Municipal Corporation, was organized as a Township in 1823, and operates under the provisions of the constitution and general law of the State of Michigan. The Township is one of twenty-three Townships in St. Clair County and covers an area of approximately 36 square miles. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and four (4) Trustees, and provides services to its more than 6,300 residents in many areas including fire protection, water, sewer, roads, parks and planning and economic development.

These financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. There were no component units at June 30, 2008.

B. Government-wide and fund financial statements –

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

ST. CLAIR TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are due. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Also, only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

General Fund – is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Revolving Capital Improvement Fund – is used to accumulate resources, mainly transfers from the General Fund and interest earned for capital improvements within the Township.

Assessment Fund – is used to account for the collection of special assessments.

Inspection Fund – is used to account for inspection fees and the cost of providing those inspections.

Road Fund – is used to account for amounts appropriated for road improvements.

ST. CLAIR TOWNSHIP, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

The Township reports the following major proprietary funds:

Water Supply System Fund – is used to account for the treatment and distribution of water to residential and commercial users.

Wastewater Fund – is used to account for sanitary sewer services provided to the residential and commercial users.

Additionally, the Township reports the following fund types –

Agency Funds – are used to account for assets held by the Township as an agent for other government and other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principle on-going operations. The principle operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses from Enterprise Funds include costs of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, the unrestricted resources, as they are needed.

ST. CLAIR TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

D. Assets, Liabilities and Net Assets or Equity –

Deposits and Investments –

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit with original maturities of three months or less from the date of acquisition. The investment trusts have the general characteristics of demand deposit accounts in that the Township may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

State statutes authorize the Township to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

Receivables and Payables –

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property the receivables are shown net of an allowance for uncollectible.

Property Tax Calendar –

Property taxes levied and collected in December of each year are budgeted and treated as revenue in the current year.

Capital Assets –

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

ST. CLAIR TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Buildings	7-50 years
Building improvements	7-50 years
Land improvements	7-40 years
Utility systems	10-50 years
Machinery and equipment	3-20 years
Vehicles	3-10 years

Long-Term Obligations –

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity –

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates –

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ST. CLAIR TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgets –

The Township Supervisor and the Clerk prepare and submit their proposed operating budgets for the year commencing July 1. The budgets include proposed expenditures and resources to finance them.

Prior to June 30, the proposed budget is presented to the Township. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Township Resolution. After the budget is adopted, all amendments must be approved by the Township Board.

The Township's General Fund budget was adopted at the activity level for the general fund and the function level for the Special Revenue Fund. However, for control purposes it is maintained at the object (account) level.

Excess of Expenditures over Appropriations –

<u>Fund Type/Function/Activity</u>	<u>Total Appropriations</u>	<u>Amount Expended</u>	<u>Budget</u>
General Fund –			
General Government			
Building and Grounds	\$ 201,242	\$ 335,663	\$ 134,421
Public Works			
Roads	63,000	66,995	3,995
Recreational and Cultural			
Parks	53,395	78,677	25,282
Transfers out	70,000	70,500	500

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of June 30, 2008, the carrying amount of the deposits is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Deposits –			
Cash on hand –			
Petty Cash	\$ 500	\$ -	\$ 500
Deposits with Financial Institutions –			
Checking/Money Market	2,465,131	59,746	2,524,877
Savings/Certificates of Deposit	<u>1,301,645</u>	<u>-</u>	<u>1,301,645</u>
Total Cash on Hand and Deposits with financial institutions	<u>\$ 3,767,276</u>	<u>\$ 59,746</u>	<u>\$ 3,827,022</u>

- (1) Certificates of Deposits in the amount of \$1,301,645 have been shown as investments since they have a maturity in excess of 90 days from the date of purchase.

ST. CLAIR TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 3 - DEPOSITS AND INVESTMENTS – (cont'd):

Deposits –

Custodial Credit Risk – is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township's investment policy and Act 217 PA 1982, as amended, authorizes the Township to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

In addition, the Township's policy requires that the financial institutions must document a minimum capital requirement of at least \$10,000,000 and at least five years of operations. Other than those areas, the Township does not have a deposit policy for custodial credit risk.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

As of June 30, 2008, the bank balance of the Township's deposit was \$3,909,198 of which \$885,082 was FDIC insured. The balance, \$3,024,116 is exposed to credit risk because it is uninsured and uncollateralized.

Investments –

Act 20 PA 1994, as amended by Act 1997 PA 1999, authorizes the Township to invest surplus funds in bonds, securities and other direct obligations or repurchase agreements consisting of these financial instruments of the United States government or an agency or instrumentality of the United States; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of the political subdivisions that at the time of purchase, are rated as investment grades by not less than one standard rating service, mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the surplus funds investment pool act, 1982 PA 3657, 129.111 to 129.188; investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

Interest rate risk – is the risk that the market value of securities in the Township's portfolio will fall due to changes in market interest rate increases. The Township policy attempts to minimize interest rate risk by avoiding the need to sell securities prior to maturity and investing operating funds primarily in short term securities, money markets mutual funds or similar public investment pools. Certificates of deposit in the amount of \$1,301,645 all had maturities of less than 1 year.

ST. CLAIR TOWNSHIP, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 3 - DEPOSITS AND INVESTMENTS – (cont'd):

Credit risk – is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and the Township investment policy limits the type of investments the Township can purchase.

Concentration of credit risk – is the risk of loss attributed to the magnitude of the Township's investments as a single issuer. The Township's investment policy requires that the Township's investments be diversified by avoiding over-concentration in securities for a specific issuer of business sector, excluding U.S. Treasury securities.

NOTE 4 - RECEIVABLES:

Receivables in the governmental and business-type activities are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts and interest	\$ 13,731	\$ 163,678
Special assessments	4,261	4,399
Due from other governmental units – State	142,464	-
Due from Fiduciary Fund	<u>21,103</u>	<u>-</u>
	<u>\$ 181,559</u>	<u>\$ 168,077</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special Assessments	<u>\$ 4,261</u>	<u>\$ -</u>

ST. CLAIR TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 5 - CAPITAL ASSETS:

Primary Government –

Capital asset activity of the primary government for the year ended June 30, 2008 was as follows:

	July 1, 2007 Balance	Additions	Deletions	June 30, 2008 Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 305,322	\$ -	\$ -	\$ 305,322
Construction in Progress	62,012	26,186	-	88,198
	<u>367,334</u>	<u>26,186</u>	<u>-</u>	<u>393,520</u>
Capital assets, being depreciated:				
Land improvements	98,811	16,300	-	115,111
Buildings and improvements	244,392	-	-	244,392
Equipment	84,094	28,368	-	112,462
Total capital assets being depreciated	427,297	44,668	-	471,965
Less accumulated depreciation	147,146	14,603	-	161,749
Total capital assets being depreciated, net	<u>280,151</u>	<u>30,065</u>	<u>-</u>	<u>310,216</u>
Governmental activities capital assets, net	<u>\$ 647,485</u>	<u>\$ 56,251</u>	<u>\$ -</u>	<u>\$ 703,736</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 147,139	\$ 87,596	\$ 147,138	\$ 87,597
Capital assets, being depreciated:				
Main and extensions	2,486,259	570,019	-	3,056,278
Equipment	90,494	-	-	90,494
Total capital assets being depreciated	2,576,753	570,019	-	3,146,772
Less accumulated depreciation	1,195,701	69,410	-	1,265,111
Total capital assets being depreciated, net	<u>1,381,052</u>	<u>500,609</u>	<u>-</u>	<u>1,881,661</u>
Business-type activities capital assets, net	<u>\$ 1,528,191</u>	<u>\$ 588,205</u>	<u>\$ 147,138</u>	<u>\$ 1,969,258</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General governmental	\$ 12,248
Recreation	2,355
Total Depreciation expense – governmental activities	<u>\$ 14,603</u>
Business-type activities:	
Water	\$ 16,981
Sewer	52,429
Total Depreciation expense – business-type activities	<u>\$ 69,410</u>

ST. CLAIR TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 6 - SEWAGE DISPOSAL SYSTEM AGREEMENT:

St. Clair Township does not operate or own a Sanitary Sewage Disposal Plant; instead, the Township/County has entered into an agreement with the City of St. Clair to accept and dispose of the Township's sanitary sewage. The latest agreement dated June 27, 1988 provides, among other things that the Township should provide and reserve to the Township, sewage treatment services and Township rights in the sanitary wastewater treatment plant of three hundred sixty-five thousand (365,000) average gallons per day and a peak flow of forty-five thousand six hundred (45,600) gallons per hour.

The Township pays its proportionate share of the operations, maintenance and replacement costs of the systems on a monthly basis.

NOTE 7 - WATER SUPPLY:

The Township has entered into an agreement with the City of St. Clair to supply water to the Township. Under the agreement, dated August 22, 2000 the Township agrees to provide the Township up to 500,000 gallons per day. The agreement is for a period of twenty (20) years.

The Township and City have been renegotiating the language of the contract and the method the Township water rate is determined. The amended language has not been formerly approved by either municipality; however, it is possible that the new language and method of calculation will be retroactive to October 1, 2002.

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The composition of interfund balances as of June 30, 2008:

Due To/From Other Funds –

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sewer Fund	\$ 14,268
	Tax Fund	22,103
	Water Fund	1,394
Inspection Fund	General Fund	12,098
Sewer Fund	Water Fund	24
	Special Assessment Fund	1,300
Trust and Agency Fund	General Fund	1,000
		<u>\$ 52,187</u>

Advance To/From Other Fund –

Special Assessment Fund	Sewer Fund	<u>\$ 346,900</u>
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ST. CLAIR TOWNSHIP, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS – (cont'd):

Transfers From/to Other Funds –

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Revolving Capital Improvement Fund	\$ 259,208
Inspection Fund	General Fund	26,000
Revolving Capital Improvement Fund	General Fund	500
Road Fund	General Fund	<u>44,000</u>
		<u>\$ 329,708</u>

NOTE 9 - RESERVED FUND BALANCE/RETAINED EARNINGS:

Reserved Fund Balance –

Fund Balance has been reserved in the general fund to indicate the portion of Fund Balance not available, but reserved for a specific purpose. The following is a summary of the reserved Fund Balance at June 30, 2008:

General Fund -	
Parks and Recreation	\$ 82,487
Prepaid Expenses	19,854
Refuse Collection	<u>158,501</u>
	260,842
Assessment Fund -	
Advance To Other Fund	<u>346,900</u>
	<u>\$ 607,742</u>

NOTE 10 – DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits to substantially all full-time employees through a deferred contribution plan. In a deferred contribution plan, benefits depend solely on amounts contributed to the plan plus any investment earnings. The Township contributes 3% of the employee's base compensation. In addition, each employee can make non-deductible, voluntary contributions up to 3.5% and the township will match that amount. All contributions, both employer and employee, become 100% vested at the time of contribution.

For the year ended June 30, 2008, the Township contributed \$12,890 and the employees contributed \$1,650.

REQUIRED SUPPLEMENTARY INFORMATION

ST. CLAIR TOWNSHIP

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 231,500	\$ 231,500	\$ 258,942	\$ 27,442
Licenses and permits	12,450	12,450	15,822	3,372
Intergovernmental -				
State	422,100	422,100	475,573	53,473
Local	25,000	25,000	26,758	1,758
Charges for services	6,100	6,100	14,245	8,145
Interest and rents	68,900	68,900	97,832	28,932
Special assessments	313,100	313,100	323,615	10,515
Other	350	350	2,211	1,861
	<u>1,079,500</u>	<u>1,079,500</u>	<u>1,214,998</u>	<u>135,498</u>
Expenditures:				
General Government -				
Legislative	10,290	10,290	7,037	3,253
Supervisor	26,800	26,800	25,709	1,091
Assessor	27,282	27,282	26,091	1,191
Clerk	24,905	24,905	23,415	1,490
Treasurer	28,550	28,550	27,955	595
Board of Review	2,650	2,650	1,691	959
Cemetery	1,290	1,290	1,190	100
Building and grounds	201,242	201,242	335,663	(134,421)
Elections	5,150	5,150	319	4,831
	<u>328,159</u>	<u>328,159</u>	<u>449,070</u>	<u>(120,911)</u>
Public Safety -				
Fire department	183,357	183,357	183,357	-
Zoning	10,066	10,066	6,837	3,229
Planning commission	86,851	86,851	68,360	18,491
Liquor law enforcement	2,625	2,625	2,018	607
	<u>282,899</u>	<u>282,899</u>	<u>260,572</u>	<u>22,327</u>
Public Works -				
Department of public works	18,134	18,134	16,975	1,159
Refuse collection	296,000	296,000	290,862	5,138
Roads	63,000	63,000	66,995	(3,995)
Street lights	22,100	22,100	21,659	441
Drains	11,000	257,488	245,988	11,500
	<u>410,234</u>	<u>656,722</u>	<u>642,479</u>	<u>14,243</u>

ST. CLAIR TOWNSHIP**GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED JUNE 30, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Recreational and Cultural - Parks	\$ 32,208	\$ 53,395	\$ 78,677	\$(25,282)
Total Expenditures	1,053,500	1,321,175	1,430,798	(109,623)
Revenues under expenditures	26,000	(241,675)	(215,800)	25,875
Other Financing Sources (Uses):				
Transfers in	-	259,208	259,208	-
Transfers out	(26,000)	(70,000)	(70,500)	(500)
	(26,000)	189,208	188,708	(500)
Net Change in Fund Balance	-	(52,467)	(27,092)	25,375
Fund Balance at beginning of year	1,932,750	1,932,750	1,932,750	-
Fund Balance at end of year	<u>\$ 1,932,750</u>	<u>\$ 1,880,283</u>	<u>\$ 1,905,658</u>	<u>\$ 25,375</u>

ST. CLAIR TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

INSPECTION FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Licenses and permits	\$ 42,200	\$ 42,200	\$ 46,450	\$ 4,250
Expenditures:				
Public Safety				
Administrative	24,368	24,368	24,103	265
Building Permits	27,757	27,757	28,761	(1,004)
Electrical Permits	3,175	3,175	2,365	810
Mechanical Permits	7,550	7,550	7,103	447
Plumbing Permits	5,350	5,350	3,676	1,674
Total expenditures	68,200	68,200	66,008	2,192
Revenues under expenditures	(26,000)	(26,000)	(19,558)	6,442
Other Financing Sources:				
Transfers In	-	-	26,000	26,000
Net Change in Fund Balance	(26,000)	(26,000)	6,442	32,442
Fund balance at beginning of year	5,760	5,760	5,760	-
Fund balance at end of year	<u>\$(20,240)</u>	<u>\$(20,240)</u>	<u>\$ 12,202</u>	<u>\$ 32,442</u>

ASSESSMENT FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Interest and rent	\$ 35,384	\$ 35,384	\$ 36,264	\$ 880
Special assessments	1,278	1,278	1,434	156
Total revenues	36,662	36,662	37,698	1,036
Fund balance at beginning of year	863,268	863,268	863,268	-
Fund balance at end of year	<u>\$ 899,930</u>	<u>\$ 899,930</u>	<u>\$ 900,966</u>	<u>\$ 1,036</u>

ST. CLAIR TOWNSHIP

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2008

IMPROVEMENT REVOLVING FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Interest and rents	\$ 25,000	\$ 25,000	\$ 27,777	\$ 2,777
Expenditures:				
Miscellaneous	10,000	10,000	-	10,000
Revenues over expenditures	15,000	15,000	27,777	12,777
Other Financing Sources (Uses):				
Transfers in-	-	-	500	500
Transfers out-	-	(259,208)	(259,208)	-
Total other financing sources (uses)	-	(259,208)	(258,708)	500
Net Change in Fund Balance	15,000	(244,208)	(230,931)	13,277
Fund balance at beginning of year	723,182	723,182	723,182	-
Fund balance at end of year	<u>\$ 738,182</u>	<u>\$ 478,974</u>	<u>\$ 492,251</u>	<u>\$ 13,277</u>

ROAD FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures:				
Road Maintenance	-	44,000	-	44,000
Other Financing Sources:				
Transfers In	-	44,000	44,000	-
Net Change in Fund Balance	-	-	44,000	44,000
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,000</u>	<u>\$ 44,000</u>

SUPPLEMENTARY INFORMATION

ST. CLAIR TOWNSHIP, MICHIGAN

SEWER FUNDS COMBINING SCHEDULE OF NET ASSETS JUNE 30, 2008

	Operating Fund	Jordan Creek	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 108,624	\$ -	\$ 108,624
Receivables -			
Accounts	67,035	-	67,035
Special assessments		4,399	4,399
Due from other funds	24	1,300	1,324
	<u>175,683</u>	<u>5,699</u>	<u>181,382</u>
Property, Plant and Equipment:			
Machinery and equipment	77,530	-	77,530
Water and sewer lines	2,422,398	-	2,422,398
	<u>2,499,928</u>	<u>-</u>	<u>2,499,928</u>
Less - accumulated depreciation	(1,025,200)	-	(1,025,200)
	<u>1,474,728</u>	<u>-</u>	<u>1,474,728</u>
Other Assets:			
Sewer capacity rights	518,000	-	518,000
Less: amortization	(225,992)	-	(225,992)
	<u>292,008</u>	<u>-</u>	<u>292,008</u>
Total Assets	<u>\$ 1,942,419</u>	<u>\$ 5,699</u>	<u>\$ 1,948,118</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	\$ 868	\$ -	\$ 868
Due to other governmental units	9,508	-	9,508
Due to other funds	14,268	-	14,268
Advance from other fund (current portion)	32,218	-	32,218
	<u>56,862</u>	<u>-</u>	<u>56,862</u>
Long Term Liabilities - (net of current portion):			
Advance from other fund	314,682	-	314,682
Total Liabilities	<u>371,544</u>	<u>-</u>	<u>371,544</u>
NET ASSETS:			
Investment in capital assets, net of related liabilities	1,419,836	-	1,419,836
Unrestricted Unreserved	<u>151,039</u>	<u>5,699</u>	<u>156,738</u>
	<u>\$ 1,570,875</u>	<u>\$ 5,699</u>	<u>\$ 1,576,574</u>

ST. CLAIR TOWNSHIP, MICHIGAN

SEWER FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENSES

AND CHANGES IN NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Operating Fund	Jordan Creek	Total
Operating Revenues:			
Charges for services	\$ 231,138	\$ -	\$ 231,138
Miscellaneous	30,186	-	30,186
	<u>261,324</u>	<u>-</u>	<u>261,324</u>
Operating Expenses:			
Salaries and benefits	56,770	-	56,770
Supplies	471	-	471
Sewer service cost	116,349	-	116,349
Professional fees	9,298	-	9,298
Repairs and maintenance	32,402	-	32,402
Utilities	11,020	-	11,020
Gas and oil	3,921	-	3,921
Miscellaneous	186	-	186
Depreciation	62,789	-	62,789
	<u>293,206</u>	<u>-</u>	<u>293,206</u>
Operating Income (Loss)	<u>(31,882)</u>	<u>-</u>	<u>(31,882)</u>
Non-Operating Revenues (Expenses):			
Interest income			
Investment	7,915	490	8,405
Special Assessments	-	487	487
Interest expense	<u>(9,900)</u>	<u>-</u>	<u>(9,900)</u>
	<u>(1,985)</u>	<u>977</u>	<u>(1,008)</u>
Net Income (Loss) Before Transfers	<u>(33,867)</u>	<u>977</u>	<u>(32,890)</u>
Transfers In (Out):			
Transfers in	77,067	-	77,067
Transfers out	<u>-</u>	<u>(77,067)</u>	<u>(77,067)</u>
	<u>77,067</u>	<u>(77,067)</u>	<u>-</u>
Net Income (Loss)	43,200	(76,090)	(32,890)
Net Assets at beginning of year	<u>1,527,675</u>	<u>81,789</u>	<u>1,609,464</u>
Net Assets at end of year	<u>\$ 1,570,875</u>	<u>\$ 5,699</u>	<u>\$ 1,576,574</u>

ST. CLAIR TOWNSHIP, MICHIGAN

SEWER FUNDS

COMBINING SCHEDULE OF CASH FLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Operating Fund	Jordan Creek	Total
Cash Flow From Operating Activities:			
Cash receipts	\$ 265,192	\$ (378)	\$ 264,814
Cash payments to suppliers	(174,074)	-	(174,074)
Cash payments to employees	(56,770)	-	(56,770)
Net Cash Provided (Used) by Operating Activities	34,348	(378)	33,970
Cash Flow From Non-Capital and Related Financing Activities:			
Transfers from/to other funds	77,067	(77,067)	-
Cash Flow From Capital and Related Financing Activities:			
Due from/to other funds/Advance between funds	361,369	-	361,369
Interest paid on contracts payable	(9,900)	-	(9,900)
Net Cash Provided by Capital and Related Financing Activities	351,469	-	351,469
Cash Flow From Investing Activities:			
Purchase of fixed assets	(510,477)	-	(510,477)
Interest earned	7,915	977	8,892
Net Cash Provided (Used) by Investing Activities	(502,562)	977	(501,585)
Net decrease in cash and cash equivalents for the year	(39,678)	(76,468)	(116,146)
Cash and Cash Equivalents at beginning of year	148,302	76,468	224,770
Cash and Cash Equivalents at end of year	\$ 108,624	\$ -	\$ 108,624
Reconciliation of Operating Income to:			
Net Cash Used by Operating Activities:			
Operating loss for the year	\$(31,882)	\$ -	\$(31,882)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities -			
Depreciation/amortization	62,789	-	62,789
Changes in assets and liabilities -			
Receivables	4,093	922	5,015
Due from other funds	(225)	(1,300)	(1,525)
Accounts payable	(226)	-	(226)
Due to other funds	(201)	-	(201)
Net Cash Provided (Used) by Operating Activities	\$ 34,348	\$(378)	\$ 33,970

FIDUCIARY FUNDS

ST. CLAIR TOWNSHIP, MICHIGAN

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Current Tax Fund</u>	<u>Trust and Agency Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 25,092	\$ 34,654	\$ 59,746
Due from other funds	-	1,000	1,000
	<u>\$ 25,092</u>	<u>\$ 35,654</u>	<u>\$ 60,746</u>
LIABILITIES			
Due to other funds	\$ 22,103	\$ -	\$ 22,103
Due to other governmental units	2,989	35,654	38,643
	<u>\$ 25,092</u>	<u>\$ 35,654</u>	<u>\$ 60,746</u>

To the Supervisor and
Members of the Township Board
St. Clair Township
St. Clair County, Michigan

In planning and performing our audit of the financial statements of St. Clair Township as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered St. Clair Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of control, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

Preparation of Financial Statements In Accordance with Generally Accepted Accounting Principles.

Management routinely prepares internal financial information to assess operations and the financial position of the Township on an ongoing basis. Although the internal financial information is useful to management, it is not presented in accordance with generally accepted accounting principles. The Township contracts with us, the auditors, to propose various adjustments to convert the financial statements from a modified cash basis to the modified accrual or accrual basis, to record the information necessary for the GASB 34 adjustments, and to draft the financial statements, including all necessary notes, in accordance with generally accepted accounting principles. (During our audit we proposed various audit entries, some of which were significant to the financial statements.)

This is considered to be a control deficiency since errors could occur in the preparation of the financial statements that would result in material deviation from generally accepted accounting principles and the Township would not be in a position to detect them.

The utilities accounts receivable should be periodically reconciled to the detailed subsidiary records.

During our audit we noted that the Township did not reconcile the detailed utilities accounts receivable ledgers to the General Ledger. By not performing this reconciliation, transactions may be posted to the general ledger, but not the detailed accounts receivable ledger and vice versa.

To increase the control over the utility accounts receivable and cash receipts, and increase the accuracy of internally prepared financial statements, the detailed accounts receivable ledger should be reconciled to the general ledger on a periodic basis.

The amount owed between funds and/or the transfers between funds should agree.

On the preliminary trial balances provided for our audit, a number of the amounts owed between funds and the transfers between funds did not agree. We recommend that these accounts be reconciled on a monthly basis.

This communication is intended solely for the information and use of management, the Township Board, and others within the Township, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script, likely reading "Stewart, Beauvais & Whipple".

October 16, 2008

AUDIT COMMUNICATION LETTER

October 16, 2008

To the Township Board
St. Clair Township
St. Clair, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of St. Clair Township for the year ended June 30, 2008, and have issued our report thereon dated October 16, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 16, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of St. Clair Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Planned Scope and Timing of Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Accounting Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by St. Clair Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2008. We noted no transaction entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate for depreciation and the recording of unbilled water services. Management estimates for these items are based on historical data, estimated lives, and billings during subsequent months. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statements users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the custodial risk of deposits in Note 3 of the financial statements indicating the Township holds \$3,909,198 of total deposits of which \$885,082 is insured with the remaining \$3,024,116 uninsured/uncollateralized, is particularly sensitive to the financial statement users given the risk of a bank failure as the Township's deposits may not be returned.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- To record in-kind revenue/expense for Homeland Security Radios
- To record entries to balance due to and due from's between funds

Assistance with GASB 34 Presentation

As a result of our assistance with the GASB 34 presentation, we proposed several entries to the June 30, 2008 account balances to reflect the difference between the Governmental Fund and the Governmental-wide financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 16, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In addition to the Report on Internal Control, we noted other items that, although are not considered significant deficiencies, could improve controls, the operational efficiency and/or compliance with laws and regulations. These items are discussed in Attachment A.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Township Board and management of St. Clair Township and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Stewart, Beauvais & Whipple".

Stewart, Beauvais & Whipple

Attachment A

The following is a list of items that we discussed with administration that are not considered significant deficiencies, however, are items that could improve controls, the operational efficiency of the accounting department and or compliance with laws and regulations:

Municipal owned vehicles

The Township does not have a formal written policy for personal use of Township owned vehicles. It is important that the Township documents its policy requirements and communicates those requirements to employees.

We recommend that a formal written policy be adopted on the reporting of the personal use of Township owned vehicles.

The Township should have certifications for all financial institutions holding township funds and documentation to comply with the Township investment policy.

It was noted during the audit, that the township does not have certifications for all financial institutions that hold money for the township. It was also noted that when the financial institution changes names, the certifications are not updated. It is important that each financial institution comply with the township investment policy by signing and sending back to the township a signed certification and that the certifications are updated when the financial institution changes its name. Also noted, the Township's investment policy requires the Township to document that all financial institutions have a minimum capital requirement of at least \$10,000,000 and at least five years of operations. This documentation is not available from the Township officials.

We recommend that the township have an updated certification for each financial institution that holds township funds and that the township receive proper documentation to satisfy the investment policy or consider modifying the investment policy.

Board resolution for payment of invoices prior to approval

As noted during the audit, the township does not have a board resolution for the payment of invoices before board approval. During discussion with township employees, the only payments made before board approval are recurring payments (utilities, phone, etc). The Michigan Department of Treasury requires the board to approve all invoices before payment unless a formal resolution is approved specifying when payment can be made prior to approval.

We recommend the township adopt a resolution for the payment of invoices before board approval. The resolution should state which invoices this applies to.

The Township should consider modifying its investment policy.

During the past couple of years, a new GASB Statement, GASB No. 40, became effective for all governmental units. The Statement requires that the governmental unit disclose additional information regarding the types of investments held, length of maturity, securities rating, etc. In addition, it discusses four types of risk: custodial credit risk, interest rate risk, credit risk and concentration of credit risk. (See Note 3 to the annual financial statements.)

We recommend that the current Township investment policy be reviewed and modified to address each type of risk. During this process the Board should also consider whether they want to limit the amount or percentage of cash and investments that can be invested with any one financial institution since the Township is generally only insured for \$100,000 with each institution.